

## Message Text

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----- 103813

P 112149Z APR 75

FM SECSTATE WASHDC

TO AMEMBASSY LAGOS PRIORITY

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E.O. 11652: N/A

TAGS: BEXP, NI

SUBJECT: PLANS FOR DEVELOPMENT OF NIGERIAN STEEL

--- INDUSTRY

REF: A) LAGOS 3085, 4/4/75; B) LAGOS 4440, 3/21/74;

--- C) LAGOS 10703, 11/20/74; D) LAGOS 11556, 12/18/74;

--- E) STATE 21678, 1/30/75; F) STATE 30216, 2/10/75;

--- FG) STATE 065230, 3/22/75

1. WE CERTAINLY CONSIDER, AS DOES INDUSTRY, THAT NIGERIA REPRESENTS A VERY IMPORTANT MARKET FOR U.S. ENGINEERING-CONSTRUCTION SERVICES AND TECHNOLOGY IN THE STEEL MILL AND DIRECT REDUCTION AREAS. IN RESPONSE TO REFTTEL A WHICH WE RECEIVED ON APRIL 9 AND PURSUANT TO ATKINS-MCGARTH TELECON OF APRIL 8 WE SHOULD LIKE TO REITERATE OUR ROLE IN ASSISTING U.S. FIRMS ON THE NIGERIAN STEEL PROGRAM. OUR OBJECTIVE REMAINS TO MAXIMIZE U.S. INVOLVEMENT BY ENCOURAGING AND ATTEMPTING TO ASSIST QUALIFIED U.S. FIRMS DEVELOP STRATEGIES WHICH, IN COOPERATION WITH EMBASSY'S PROGRAM, WOULD RESPOND TO THE NEEDS OF THE FMG.

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2. SINCE THE RECEIPT OF REFTTEL B IN MAY 1974 WE HAVE BEEN WORKING CLOSELY WITH INDUSTRY ON THE NIGERIAN STEEL PROGRAM. COPIES WERE SENT TO A LIST OF POTENTIALLY

INTERESTED FIRMS. OUR PRIORITIES FOR POTENTIAL ACTION WERE WEIGHED IN THE DIRECTION OF THE DIRECT REDUCTION PHASE OF THE STEEL PROGRAM. THIS DECISION WAS BROUGHT ABOUT IN PART BECAUSE WE HAD HAD CONSIDERABLE EXPERIENCE WITH PROJECTS WITH RUSSIAN INVOLVEMENT IN THIRD COUNTRIES AND WE WERE AWARE THAT THEIR PARTICIPATION WOULD LIMIT THE OPPORTUNITIES FOR OUR CLIENTEL, THE DESIGN-CONSTRUCTORS AND SUPPLIERS OF THE MAJOR ENGINEERED PACKAGES. OUR ANALYSIS OF THE RUSSIAN POSITION WAS CONFIRMED BY FEEDBACK WE RECEIVED FROM U.S. INDUSTRY.

3. AFTER OUR PROJECT OFFICER RETURNED FROM NIGERIA AND IN LIGHT OF REFTTEL C IN NOVEMBER WE RE-EVALUATED OUR ACTION ON THE PROGRAM. THE MEETING WITH NSDA PROJECT MANAGER ADEGBOYE HAD RE-CONFIRMED OUR INITIAL FEELING THAT THE RUSSIAN MILL REPRESENTED OPPORTUNITIES FOR THE SALE OF ONLY PERIPHERAL EQUIPMENT AND THAT PROCUREMENT ON THESE COMPONENTS WOULD NOT TAKE PLACE UNTIL A MUCH LATER DATE. AS A RESULT, WE CONTINUED TO EMPHASIZE THE DIRECT REDUCTION OPPORTUNITIES WITH THE U.S. SUPPLIERS (MCKEE-FIOR, ARMCO, SWINDELL DRESSLER-HYL, AND KAISER-MIDREX) TO MAKE CERTAIN THEY WERE AWARE OF THE DEVELOPMENTS AND TO ENCOURAGE THEM TO RESPOND. INTEREST WAS ONLY MARGINAL BUT WE DID EXPERIENCE SOME SUCCESS.

4. IN NOVEMBER WE HAD A SERIES OF MEETINGS WITH MCCABE OF SWINDELL-DRESSLER. WE FULLY BRIEFED HIM ON THE STEEL SITUATION AND ENCOURAGED HIS COMPANY TO RESPOND FROM THE STANDPOINT OF BOTH THE DIRECT REDUCTION PHASE AS WELL AS TO THE POSSIBILITY FOR AN OUTSIDE CONSULTANT ON THE RUSSIAN MILL.

5. DURING THIS PERIOD WE HAD DISCUSSIONS ON A NUMBER OF OCCASIONS WITH ARMCO AND KAISER RELATIVE TO THEIR LIMITED OFFICIAL USE

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INTERESTS. CONSIDERING SWINDELL'S INTEREST, HOWEVER, WE DECIDED TO CONCENTRATE OUR EFFORTS MAINLY IN THEIR BEHALF. REFTTEL D INDICATED THAT SWINDELL HAD HAD USEFUL MEETINGS WITH THE NSDA PROJECT MANAGER AND ON HIS RETURN MCCABE BRIEFED US FULLY. HE STATED THAT SWINDELL WAS INTERESTED IN BOTH THE CONSULTING AND DIRECT REDUCTION PHASES AND WAS CONSIDERING THE SUBMISSION OF PROPOSALS. SWINDELL FOLLOWED UP THEIR

DECEMBER MEETING IN NIGERIA WITH A LETTER TO GENERAL GOWAN EXPRESSING THEIR INTEREST IN PARTICIPATING IN THE FMG DEVELOPMENT PROGRAM; SPECIFIC REFERENCE WAS

MADE TO THEIR INTEREST IN THE CONSULTING CONTRACT AND THE DIRECT REDUCTION PROGRAM. IN FEBRUARY SWINDELL (REFTELS E,F) EXPRESSED AN INTEREST IN RETURNING TO NIGERIA FOR FURTHER DISCUSSIONS. THEY ARE NOW AWAITING SIGNAL FROM THEIR AGENT REGARDING APPROPRIATE TIMING FOR THE VISIT. EMBASSY WAS INVOLVED IN THIS EFFORT. WE HAVE NOW PASSED CONTENTS OF LATEST REFTEL (LAGOS 3085) AND ARE ENCOURAGING THEM TO RE-INFORCE THEIR MARKETING PROGRAM ON THE DIRECT REDUCTION COMPONENTS DURING THEIR NEXT SERIES OF MEETINGS IN NIGERIA. WE WILL KEEP EMBASSY INFORMED.

6. IN FEBRUARY, V.P. OEHLBERG OF MCKEE ASKED TO MEET WITH US TO DISCUSS THEIR MARKETING APPROACH TO NIGERIA. MCKEE WAS PARTICULARLY INTERESTED IN THE SALE OF THEIR FIOR DIRECT REDUCTION PROCESS AND INDICATED THAT NIGERIA WAS IN FACT ONE OF THEIR PRIMARY TARGETS. WE CONVINCED THEM TO SEND SENIOR TEAM TO NIGERIA TO DISCUSS THEIR INTERESTS AND CAPABILITIES WITH EMBASSY AND NSDA OFFICIALS. IN A FOLLOW-UP MCKEE INDICATED THAT THEY WERE HOLDING BACK ON SENDING THEM TO NIGERIA UNTIL THEIR NEW 600,000 M.T. VENEZUELA MILL REACHES ITS OPERATING CAPACITY. WE DID NOT REPORT AT THIS TIME PENDING MORE SUBSTANTIVE ADVICE FROM MCKEE. HOWEVER, AS A RESULT OF REFTEL A AND RECENT DISCUSSIONS WITH US MCKEE IS PREPARED TO SEND SENIOR REP TO LAGOS TO MEET WITH EMBASSY AND NSDA OFFICIALS DURING SANDS VISIT APRIL 21 AND 22. REQUEST EMBASSY MAKE APPROPRIATE APPOINTMENTS.  
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7. TO CLARIFY ANY MISUNDERSTANDING REGARDING REFTEL G MCKEE HAD INTERPRETED THE SHIPILA CORRESPONDENCE AS REFERRING TO AN ENTIRELY NEW NIGERIAN STEEL ENDEAVOR.

8. WE CONTINUE TO BE IN NTACT WITH THE OTHER FIRMS INTERESTED IN THE NIGERIAN PROGRAM (ARMCO AND KAISER-MIDREX). EMBASSY SHOULD BE AWARE THAT WE ARE CURRENTLY DEVELOPING A SPECIAL PROGRAM WHICH WE ANTICIPATE WILL IDENTIFY WORLDWIDE OPPORTUNITIES FOR U.S. INVOLVEMENT IN DIRECT REDUCTION MILLS. WE ARE WELL AWARE OF THE U.S. EXPORT OPPORTUNITIES RELATED TO THE SALE OF DIRECT REDUCTION TECHNOLOGY AND IN PARTICULAR THE OPPORTUNITIES IN COUNTRIES LIKE NIGERIA WHICH HAVE ABUNDANT RESERVES OF NATURAL GAS AND IRON ORE.

9. WE AGAIN WANT TO REMIND EMBASSY THAT MESSAGES ON  
THE NIGERIAN STEEL PROGRAM SHOULD BE SLUGGED COMMERCE/  
MEPD. WE WERE NOT ABLE TO TAKE IMMEDIATE ACTION  
ON THE CURRENT MESSAGE (LAGOS 3085) BECAUSE IT WAS  
ADDRESSED INCORRECTLY WITH THE RESULT THAT WE WERE  
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